

U.S. Gradually Losing Fight on Soviet Credits

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The United States is doing its best to avoid attracting undue attention to the fight it has been losing on denying long-term Western trade credits to the Soviet Union.

At least that was the case until Treasury Secretary Douglas Dillon squared off against the British in Tokyo on Friday at the International Monetary Fund and World Bank meeting.

But all indications are that Dillon, irked by Britain's public defense of its credit policy, was only making a rebuttal for the record.

No Public Fight Seen

There is no sign that the United States is spoiling for another public battle in this long debate, in which it has come out on the short end. On the contrary, Administration officials prefer to play down the dispute, leaving the next rounds to the economic marketplace, rather than foreign offices.

"It's very poor diplomacy to press points that you are bound to lose," said one Johnson Administration official.

The United States had known since at least early last winter that Britain was determined to breach the Western line on holding trade credits to the five-year limit of the Bern Convention adopted before World War II. The only important question was whether the Soviet Union and Britain could come to agreement on the commercial terms.

Last week they officially did.

\$84 Million Contract

The two nations signed the biggest contract in their trade history. It was for a plant costing about \$84 million, to manufacture the polyester

fiber known in this country as Dacron. British banks agreed to lend the Russians \$67 million of the cost, for 15 years, and the British government guaranteed the payment. The interest on the debt is pegged at 5½ and 6½ per cent. Other British-Soviet contracts are under discussion.

Just before the British-Soviet 15-year credit was announced, the Japanese government approved an agreement to sell the Soviets a \$10 million urea fertilizer plant, to be paid for during an eight-year period.

As a sop to critics, who included the United States, the agreement provided for Japanese government guarantees of only five years of the credits, unless West European governments agreed to guar-

antee credits in sales to the Soviets for eight years or longer. That qualification already appears to be been disposed of by Britain's 15-year credit agreement.

See Credit Breakthrough

There has been a general assumption in financial and diplomatic circles that once any Western country broke the five-year credit ceiling, there would be a wide-open credit race, limited only by what terms sellers would offer and buyers would accept.

The question mark hangs heaviest over France in particular, then West Germany. There have been totally contradictory reports on what France has decided to do. Some sources say France has decided to hold the five-year line; others report that in time France will break it too, as will Germany.

When the Japanese and

British credits were announced, the State Department decided that the wisest course to follow was to say as little as possible. It briefly expressed United States "regret," adding, "We are opposed to the extension of such credits to Communist bloc countries."

United States officials are now emphasizing that at the outset of the credit debate, it was France and West Germany that were most adamant about holding the five-year line.

2 Divergent Policies

At issue in the debate have been two opposing lines of policy about what is best for the West.

The United States has contended that by granting long-term credits to the Soviet Union, the West would be easing the pressure on Soviet resources. Without that relief, the U.S. maintained, the West could exert marginal pressure on the Soviet Union to oblige it to shift some of its investment capital from military production to consumer goods.

Perhaps more importantly, the United States argued, as Dillon repeated in Tokyo, a 15-year loan almost is equivalent to foreign aid, "and we think it is not appropriate to give aid to the Soviet Union."

This also reduces the amount of Western aid available for loans to underdeveloped non-Communist countries, the United States has said.

Counteracted by Britain

Britain has rejected the whole argument. The British policy will cause the Soviets to get more involved in normal world trade, and in turn encourage the kind of trends inside the Soviet Union that the West wants to nourish, London has maintained.

But more important than any other argument is that fact that Britain is greatly dependent on trade for its survival, while the United States is not.

Even American businessmen, however, are showing increased interest in Soviet trade, although official experts caution that Soviet trade capacity is quite limited. On Friday, David Rockefeller, president of Chase Manhattan Bank, told President Johnson

Rockefeller's recent Moscow, Soviet Pre-Khrushchev expressed considerable interest in such aade. One major obstacle, Rockefeller noted, is the unsettled World War II lend-lease debt that the Soviets owe to the United States.

***Overture to France
Made by Mikoyan***

MOSCOW, Sept. 12 (AP) President Anastas I. Mikoyan held out the promise today of more trade with France if it follows Britain in loosening credit restrictions.

The recent British granting of 15-year terms for a Soviet contract drew criticism from Washington. The United States, France and Italy have been among the Western Nations limiting credits to Communist countries to five years.